LAND RENTAL RATES IN ONTARIO, 1991

Ministry of Agriculture and Food
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LAND RENTAL RATES IN ONTARIO, 1991

by

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LAND RENTAL RATES IN ONTARIO

INTRODUCTION

This study, conducted by the Policy Analysis Branch, is an update of similar studies conducted in 1988, 1987 and 1984. In addition to reporting land rental rates, the current study collected information on availability and demand of land for rent as well as the date of rental agreements. Respondents were asked to report the crops grown on the land rented and the yield they expected for these crops. This study also compares land rental rates paid in 1991 versus the rent paid in 1990.

During July, 1991 a mail survey was sent out to 1,235 farmers who had participated in the 1988 land rental survey. Twenty four cases were discarded because the farmer had moved from the mailing address, therefore reducing the sample of farmers surveyed to 1,211. Overall, 668 valid questionnaires were received back placing the **response rate** at **55%** (i.e., 668/1211). The survey collected information on 1,151 parcels of land, totalling 92,128 acres.

RENTAL RATES

The information of land rental rates in Ontario is summarized in a series of Tables. Table 1 presents the rental rates reported at the provincial, regional and county levels. Although rents are weighted by the number of acres, the reader should employ caution when using the averages, given the large variability observed across the province depending on region, type of crop, quality of soil and type of arrangement. The province was divided into three regions (i.e. Southwest, East/North and Metro) in an attempt to explain rental rates variability (Figure 1). The Metro region (i.e., Toronto and its surroundings) represents an area where rental rates are affected by the level of urbanization. The "Southwest" and "East/North" regions characterize areas with different production potential. It was hypothesized that within a region similar quality land would show similar rental rates.

Table 2 reports rental rates by type of crop on a regional basis. Usually, rental rates reported by type of crop are based on information from parcels in which a single crop was grown. However, parcels reporting only one crop constitute a small sample of all the parcels. In this study, a classification scheme that would also include parcels reporting a combination of crops was developed to make better use of the information available. By increasing the number of parcels considered and the number of acres representing a crop, it was possible to improve the reliability of the average rental value reported. Four categories were identified. Parcels reporting more than one crop were assigned to a specific category according to the following guidelines:

RENTAL RATES (Cont'd)

Horticultural Crops:

- includes all vegetables, fruit, sod and/or tobacco grown alone or in combination with any other crop.

Corn/Soybeans/Wheat:

- includes one of these crops grown alone or a combination of these crops or one or more of these crops grown in combination with small grains or pasture.

Oat/Barley/Canola/Sunflower:

- includes one of these crops grown alone or a combination of these crops or one or more of these crops grown in combination with pasture.

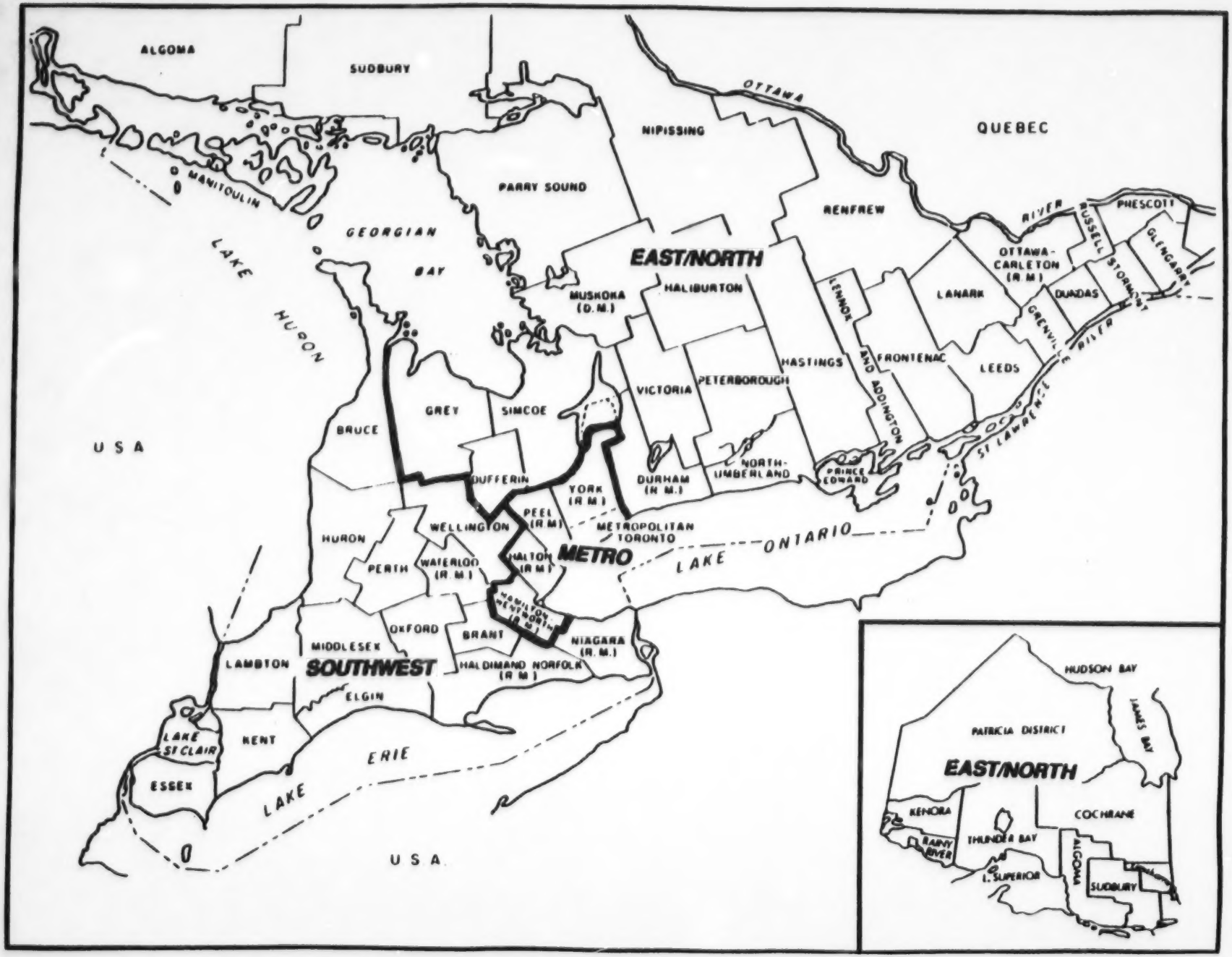
Pasture/Hay:

- Pasture and/or hay alone (i.e., without any grain, oilseed or horticultural crops).

In general, the "Corn/Soybeans/Wheat" category accounted for 70.4 percent of the acres surveyed (i.e., 64,886/92,128). It was by far the most important category followed by "Pasture/Hay" with 12.5 percent of the area reported. The wide range observed in "Horticultural Crops" was partly explained by the variety of crops included in this category. The breakdown of the data by region showed that differences between regions exist, with the Southwest region exhibiting higher rental rates. Within the regions, "Horticultural Crops" consistently reported the highest average rental rate followed by "Corn/Soybeans/Wheat".

The study also analyzed the rental rates paid for corn and soybeans in the three regions based on yield expectations (Tables 3 and 4). Yield expectations were used as a proxy for quality of land. "Corn" accounted for all the parcels used to grow corn alone or in combination with another crop (except horticultural crops). The analysis showed that differences between regions were significant, with the Southwest region having higher rental rates. For the East/North and Southwest regions, the higher the expected corn yield the higher the rent paid. The breakdown by expected yield pointed out the limitations of working with regional averages. For instance, while the average rent paid for corn in the Southwest was $61.4 per acre, the rental rates ranged from $39 to $107 per acre. The variability within each yield category was lower than the overall variability for the Southwest and East/North regions.

The "Soybeans" category accounted for all the parcels used to grow soybeans alone or in combination with any other crop with the exception of horticultural crops. Rental rates for land growing soybeans was similar to the rent reported for corn in each of the three regions. In addition, parcels growing soybeans exhibited a similar variation in rental rates relative to corn. Differences in rates between regions and between yield categories within regions were also consistent with the previous findings.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ST CLAIR
KENT
ESSEX
LAKE
ERIE
U S A
HUDSON BAY
JAMES BAY
PATRICIA DISTRICT
EAST/NORTH
KENORA
COCHRANE
RAINY
RIVER
THUNDER BAY
ALGOMA
L. SUPERIOR
SUDBURY

Figure 1

TABLE 1 - RENTAL RATES PER ACRE BY COUNTY AND REGION

COUNTY	RENT PER ACRE			ACRES
	AVERAGE	MEDIAN[1]	RANGE[2]	
EAST/NORTH	**21.0**			**29,127**
ALGOMA/SUDBURY/TIMISKAMING	6.45	6.0	4 - 11	470
DUFFERIN	24.67	25.0	12 - 32	3,268
DUNDAS	29.28	28.0	16 - 49	688
DURHAM	26.22	27.0	10 - 48	3,267
FRONTENAC/LENNOX	11.65	6.0	3 - 38	470
GLENGARRY	30.59	30.0	6 - 50	1,032
GRENVILLE/LEEDS	12.87	14.0	7 - 15	369
GREY	18.34	11.0	3 - 23	2,807
HASTINGS	9.78	7.0	2 - 22	2,895
LANARK	23.42	18.0	4 - 50	1,688
MANITOULIN/PARRY SOUND	9.13	10.0	0 - 12	622
NORTHUMBERLAND	18.55	18.0	10 - 25	945
OTTAWA	38.88	34.0	16 - 75	452
PETERBOROUGH	15.35	14.0	8 - 28	1,212
PRESCOTT/RUSSELL	19.60	22.0	7 - 30	955
PRINCE EDWARD	19.33	16.0	10 - 34	823
RAINY RIVER [3]				110
RENFREW	10.09	10.0	3 - 20	1,495
SIMCOE	32.79	22.0	12 - 40	3,050
STORMONT	16.82	12.0	10 - 50	761
THUNDERBAY	19.30	18.0	10 - 41	663
VICTORIA	23.44	24.0	15 - 33	1,085
YORK	30.93	32.0	25 - 32	9,227

1 The median is the value that splits the sample in half. For instance, Algoma county median of 6 means that half of the parcels reported in Algoma were rented for less than $6/acre.

2 The range excludes the top and bottom 10 percent of rental rates reported.

3 Not enough cases to be reported.

TABLE 1 - RENTAL RATES PER ACRE BY COUNTY AND REGION (cont'd)

COUNTY	RENT PER ACRE			ACRES
	AVERAGE	MEDIAN[1]	RANGE[2]	
SOUTHWEST	**65.50**			**48,034**
BRANT	67.29	70.0	47 - 80	1,034
BRUCE	30.82	28.0	20 - 50	2,665
ELGIN	70.36	75.0	45 - 100	1,563
ESSEX	128.58	100.0	50 - 300	1,690
HALDIMAND	21.88	14.0	10 - 20	2,537
HURON	73.42	60.0	35 - 130	3,116
KENT	143.67	150.0	70 - 175	2,428
LAMBTON	87.79	85.0	25 - 120	6,050
MIDDLESEX	63.39	65.0	30 - 85	4,591
NIAGARA	55.66	16.0	6 - 80	3,093
NORFOLK	47.17	43.0	18 - 100	1,465
OXFORD	73.41	80.0	55 - 100	3,678
PERTH	62.24	60.0	35 - 90	2,506
WATERLOO	49.65	47.0	35 - 70	4,674
WELLINGTON	44.96	50.0	20 - 60	6,944
METRO	**29.96**			**14,967**
HALTON	22.79	25.0	10 - 25	890
HAMILTON	34.78	30.0	4 - 65	1,687
PEEL	26.58	30.0	14 - 30	3,163
YORK	30.93	32.0	25 - 32	9,227
ONTARIO	**45.66**			**92,128**

[1] The median is the value that splits the sample in half. For instance, Brant county median of 70 means that half of the parcels reported in Brant were rented for less than $70/acre.

[2] The range excludes the top and bottom 10 percent of rental rates reported.

TABLE 2 - RENTAL RATES PER ACRE BY CROP BY REGION

CROP BY REGION	RENT PER ACRE ($/acre)			ACRES
	AVERAGE	MEDIAN[1]	RANGE[2]	
EAST/NORTH	**21.00**			**29,127**
CORN/SOYBEANS/WHEAT [3]	23.57	22.0	10 - 40	13,843
OAT/BARLEY/CANOLA/SUNFLOWER[4]	20.55	20.0	8 - 38	5,496
PASTURE/HAY [5]	13.28	10.0	3 - 21	9,028
HORTICULTURAL CROPS [6]	69.24	18.0	12 - 175	760
SOUTHWEST	**65.50**			**48,034**
CORN/SOYBEANS/WHEAT	60.52	55.0	19 - 115	37,259
OAT/BARLEY/CANOLA/SUNFLOWER	27.70	25.0	10 - 50	2,234
PASTURE/HAY	25.72	20.0	10 - 56	2,170
HORTICULTURAL CROPS	121.35	80.0	45 - 225	6,371
METRO	**29.96**			**14,967**
CORN/SOYBEANS/WHEAT	28.27	30.0	20 - 32	13,784
OAT/BARLEY/CANOLA/SUNFLOWER	22.86			105
PASTURE/HAY	14.12	10.0	0 - 30	285
HORTICULTURAL CROPS	65.94	50.0	19 - 88	793
ONTARIO	**45.66**			**92,128**
CORN/SOYBEANS/WHEAT	45.79	35.0	15 - 89	64,886
OAT/BARLEY/CANOLA/SUNFLOWER	22.62	20.0	9 - 40	7,835
PASTURE/HAY	15.65	11.0	4 - 30	11,483
HORTICULTURAL CROPS	110.81	80.0	27 - 200	7,924

[1] The median is the value that splits the sample in half. For instance, Horticultural Crops in the East/North Region had a median of 18. This means that half of the parcels reporting Horticultural Crops in the East/North Region were rented for less than $18/acre.

[2] The range excludes the top and bottom 10 percent of rental rates reported.

[3] Corn/Soybeans/Wheat: includes one of these crops grown alone or a combination of these crops or one or more of these crops grown in combination with small grains or pasture.

[4] Oat/Barley/Canola/Sunflower: includes one of these crops grown alone or a combination of these crops or one or more of these crops grown in combination with pasture.

[5] Pasture/Hay: Pasture and/or Hay alone (i.e. without any grain, oilseed or horticultural crops).

[6] Horticultural Crops: includes all vegetables, fruits, sod and/or tobacco grown alone or in combination with any other crop.

TABLE 3 - RENTAL RATES FOR CORN BY REGION

REGION	CORN[1] YIELD	RENT PER ACRE ($/acre)		ACRES
		AVERAGE	RANGE[2]	
EAST/NORTH		**24.76**		**11,026**
	LESS THAN 80 BU	21.40	9 - 32	3,740
	81-99 BU	25.25	10 - 40	5,295
	MORE THAN 99 BU	29.78	12 - 50	1,991
SOUTHWEST		**61.45**		**27,756**
	LESS THAN 100 BU	39.33	15 - 50	4,631
	100-119 BU	48.13	15 - 75	12,245
	120-129 BU	70.09	40 - 120	6,283
	MORE THAN 129 BU	107.39	75 - 150	4,597
METRO		**28.36**		**12,850**
	LESS THAN 100 BU	30.01	25 - 32	5,081
	100-109 BU	27.18	25 - 30	6,660
	MORE THAN 109 BU	27.86	19 - 45	1,109
ONTARIO		**45.38**		**51,632**

[1] The expected yield reported for corn on parcels in which corn was grown alone or in combination with any other crop except horticultural crops.

[2] The range excludes the top and bottom 10 percent of rental rates reported.

TABLE 4 - RENTAL RATES FOR SOYBEANS BY REGION

REGION	SOYBEANS[1] YIELD	RENT PER ACRE ($/acre)		ACRES
		AVERAGE	RANGE[2]	
EAST/NORTH		**23.04**		**2,296**
	30-37 BU[3]	23.04	4 - 40	2,296
SOUTHWEST		**64.33**		**22,197**
	LESS THAN 30 BU	31.16	6 - 80	2,091
	30-35 BU	59.50	30 - 100	5,645
	36-40 BU	58.16	25 - 85	8,693
	41-45 BU	82.68	30 - 115	4,049
	MORE THAN 45 BU	108.44	70 - 150	1,719
METRO		**29.09**		**11,211**
	LESS THAN 31 BU	25.39	10 - 40	560
	31-35 BU	28.60	25 - 32	7,931
	MORE THAN 35 BU	31.27	30 - 30	2,720
ONTARIO		**50.61**		**35,704**

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[1] The expected yield reported for soybeans on parcels in which soybeans was grown alone or in combination with any other crop except horticultural crops.

[2] The range excludes the top and bottom 10 percent of rental rates reported.

[3] 80% of area showed expected yields between 30 - 37 bu/ac.

SUPPLY OF LAND

When farmers were asked about what happened with the supply of land for rental purposes in 1991 compared to 1990, **62%** of the respondents answered that there has been no change in the availability of land while **31%** said that there was more land available (Figure 2). Respondents from Southern and Central Ontario were more likely to think that there was more land available while respondents from Northern Ontario were more likely to think that less land was available. Farmers from the remaining regions were more likely to think that the availability of land remained unchanged.

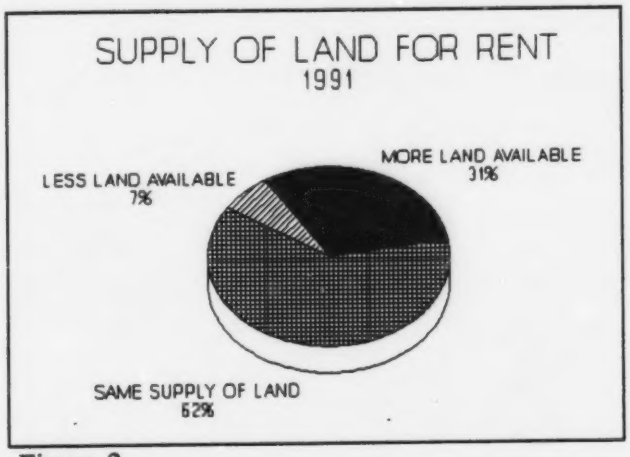

Figure 2.

NUMBER OF PRODUCERS BIDDING

When asked about what happened with the number of producers bidding for land, **85%** of the respondents were of the opinion that there were equal or less number of producers bidding while **15%** indicated that there were more producers bidding (Figure 3).

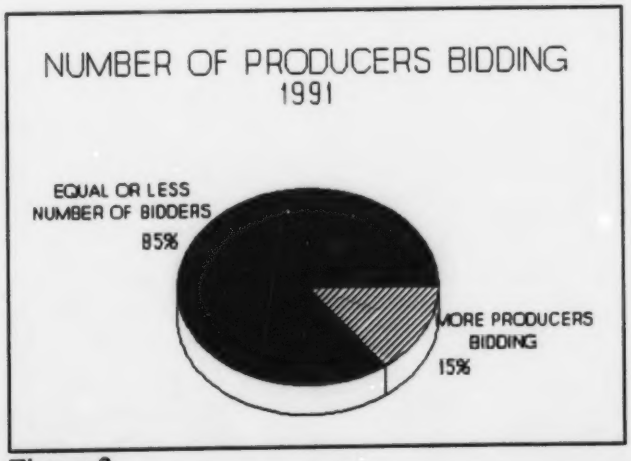

Figure 3

DATE OF RENTAL AGREEMENT

With respect to when the rental agreement was reached, the responses showed that **60%** of the agreements were settled before January 1991. Figure 4 shows the distribution of agreement through time.

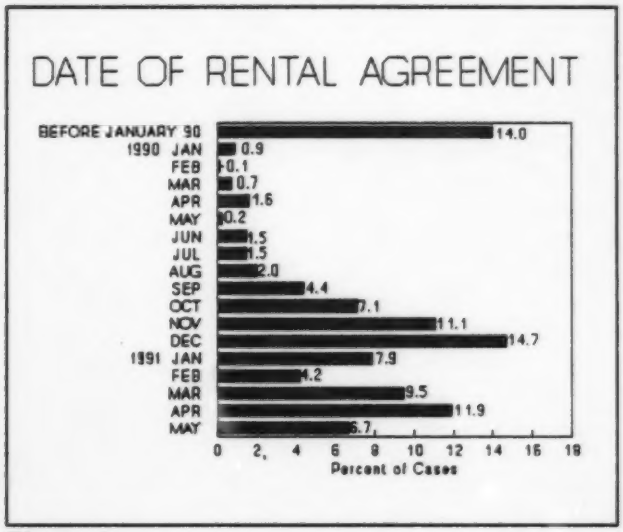

Figure 4

RENTAL RATES IN 1991 COMPARED TO 1990 RATES

In order to compare land rental rates between 1990 and 1991, respondents were asked to fill in the information for 1990 only when the same parcel was rented in both years. From an initial data set of 1,151 parcels, **87%** (i.e., 1,001/1,151) of them were identified as being rented in both years. These 1,001 parcels accounted for a total of **81,415 acres**. Excluded from this subset of data were parcels which respondents had only rented in 1991 (i.e., 13%).

Of the parcels rented in both years, **88.5%** (i.e., 886 parcels) did not show rental changes in 1991 from 1990 levels. In terms of acreage, **84%** (i.e., 68,114 acres) of the land surveyed did not experienced rental changes (Figure 5). The remaining percentage involved cases in which the rent went up or down in the same period.

Increased rents were reported for a total of 11,246 acres (i.e., **13.5%** of the land). Considering only the land showing rent increases, the average increase in rental rates weighted by acreage was **13.4%**, with 66 percent of the cases showing increases between 4.8% and 22%.

Also, rental decreases were observed in **2.5%** of the acreage under study. In some cases, the explanation for the decrease in rent is based on the type of crop grown each year. Some known cases refer to the switch from vegetables in 1990 to corn or soybeans in 1991.

Rental rates on **98%** of the land surveyed either had no change or had changes that ranged between an $8 decrease and a $15 increase per acre. In summary, no significant land rental rate change was reported in 1991.

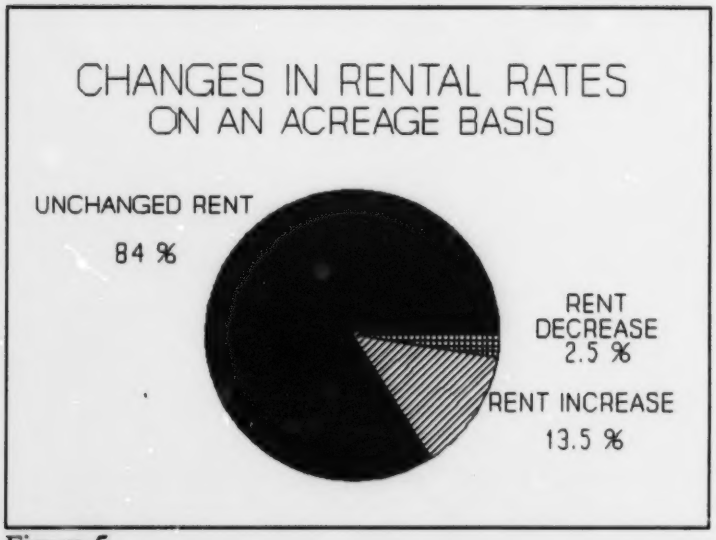

Figure 5

Finally, the date of the rental agreement was not a relevant factor affecting land rental rates. In fact, the analysis showed that 83% of all the contracts signed from January 1991 onward remained unchanged and only 13% showed an increase in rental rates.

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